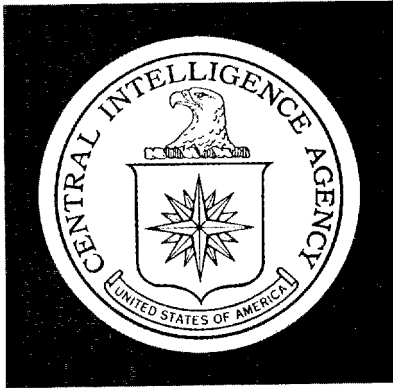


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DIRECTORATE OF  
INTELLIGENCE

# *WEEKLY SUMMARY*

State Dept. review completed

DIA review(s) completed.

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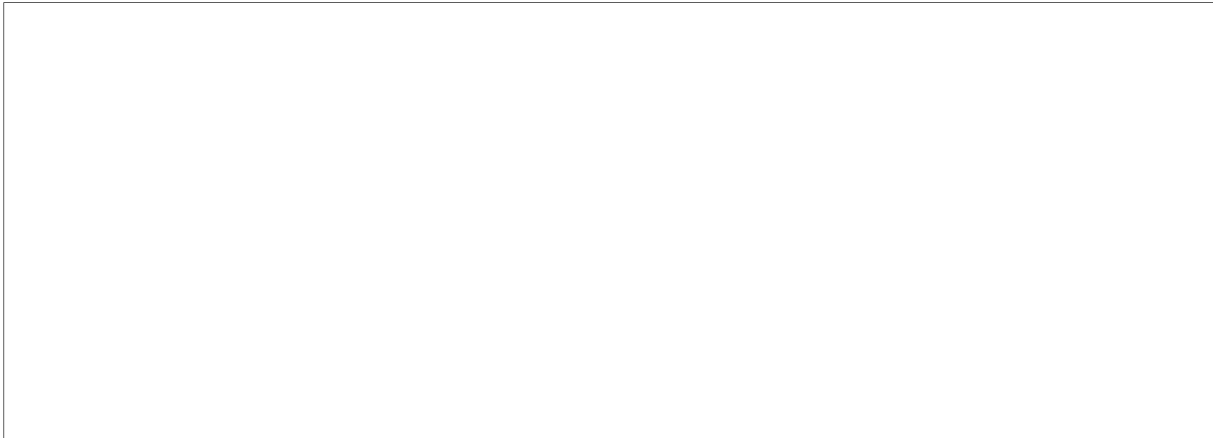
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20

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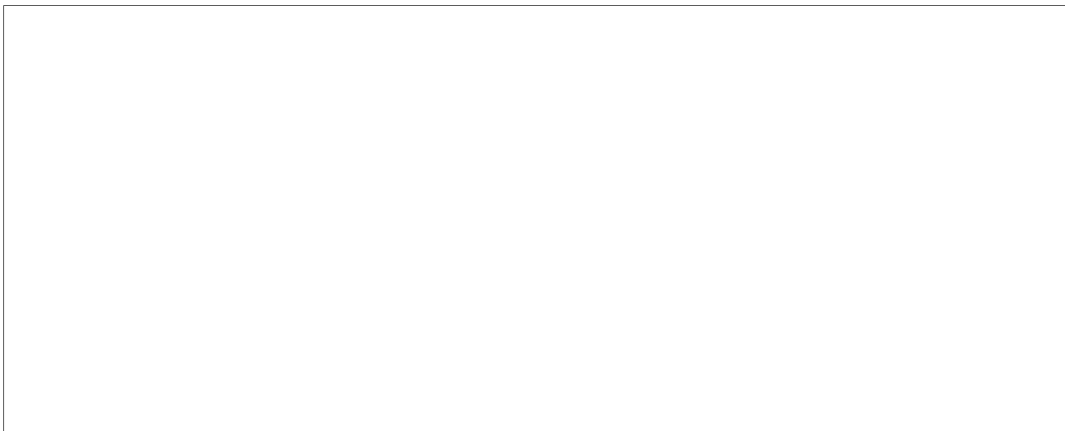
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FAR EAST

The agreements on procedures reached in Paris on 15 January between the US and North Vietnam will enable both Hanoi and Saigon to claim that their basic demands have been satisfied. The Communists apparently concluded that it was necessary to get the substantive talks under way before the new US administration takes office. Hanoi's move to break the impasse at the 11th hour of President Johnson's administration suggests that it probably intended all along not to let 20 January pass without some resolution of the procedural issues, but that it held back in hopes of obtaining a complete allied acceptance of its demands.

Having established the ostensible equality of the Liberation Front at the negotiations, the Communists are doing their best to shore up their political and military potential in the South. They are showing more aggressiveness in the southern half of South Vietnam as they continue to reinforce and resupply. The next week could prove to be a critical time; 20 January has quite often been mentioned in captured documents and prisoner interrogations as a target date for the completion of combat preparations. Although allied bombing and spoiling operations have continually disrupted Communist attempts to prepare for future battles, the enemy's local force and guerrilla units in coordination with some of its main force units could stage some limited attacks at any time.

In Laos, the Communists are keeping up pressure on government forces on several fronts. They appear to be trying to reduce sharply the government presence around the Bolovens Plateau in the south, while the successful attack on a government ammunition depot near Vientiane appears intended in part to point out the vulnerability of government facilities near the capital.

The failure of the top Chinese Communist leaders to show up together in public since the party plenum last October has given rise to rumors in Peking of ferment in the leadership. Top Chinese leaders have been out of public view for lengthy periods before, but this practice leads to tensions and confusion.

An apparent effort by the Japanese Government to condition public opinion to the need for concessions regarding American bases on Okinawa as the price for an early return of the Ryukyus has drawn a strong critical reaction. Nationalistic pressures will make it increasingly difficult for Prime Minister Sato to favor any formula for reversion that grants US base rights extending beyond those that apply in Japan proper.

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VIETNAM

The agreements on procedures reached in Paris on 15 January between the US and North Vietnam will enable both Hanoi and Saigon to claim that their basic demands have been satisfied. The Communists apparently concluded it was necessary to get the substantive talks under way before the new US administration takes office. They agreed to a symbolic division of the conference table by accepting the presence of two small tables at either end of an axis of, but not touching, a main round table. The North Vietnamese also agreed to allied proposals for a two-sided speaking order.

Movement came after more than a month of Communist intransigence, during which an undivided round table remained their main objective. Hanoi's move to break the impasse at the 11th hour of President Johnson's administration suggests that it probably intended all along not to let 20 January pass without some resolution of the procedural issues, but that it held back in hopes of obtaining a complete allied acceptance of its demands.

Despite the last-minute concessions, Hanoi is striving to present the new US administration with a picture of steadily increasing Communist strength. Hav-

ing established a position of ostensible equality for the Liberation Front at the negotiations, the Communists are also doing their best to shore up their political and military potential in South Vietnam. The political pressure on Saigon is being stepped up by threats to replace the South Vietnamese Government at the national level with a "peace cabinet," and in the countryside with the "liberation committees."

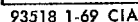
The South Vietnamese probably see the final table configuration as fairly well satisfying their long-standing requirement that the arrangement reflect the two-sided character of the negotiations. President Thieu presumably hopes this will help him sell the compromise to the rest of the leadership and to the people at large without serious loss of face.

Saigon seems likely to interpret the Communists' willingness to accept such a compromise as proof of its contention that concessions can be extracted from the Communists if they are brought under the pressure of time while the allies do not seem to be in a hurry to reach a settlement. This could strengthen Saigon's conviction that tough bargaining tactics offer the best chance of reaching an acceptable settlement with the Communists.

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In what may be the beginning of another phase of their "winter-



Meanwhile, heavy rains together with allied spoiling operations have apparently seriously disrupted enemy battle preparations in some coastal areas of the northern provinces. Despite numerous reports of enemy intent to stage attacks there, most of the Communist main force combat units are currently scattered in the mountains to the west of principal target areas. Some of the enemy's local force and sapper units, however, could mount limited attacks in certain key sectors of I Corps in the near future.

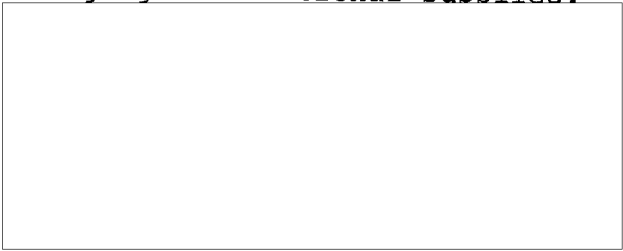
Many of the enemy's first-line forces in Binh Dinh Province have suffered heavy losses since December, UNCODED and any attacks will most

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likely consist of shellings, ambushes, and sapper activity similar to that in other areas of II Corps.

In III and IV corps, the Communists are striving to improve their military posture by repositioning combat units and bringing in additional supplies.



The next week or so could prove to be a critical time. There have been a number of signs pointing to the latter half of January, and quite often specifically 20 January, as the target date for the completion of combat preparations. Although allied bombing and spoiling operations have continually disrupted Communist attempts to prepare for future battles, the enemy's local force and guerrilla units in coordination with some of its main force units could stage some limited attacks at any time.



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## COMMUNISTS STEP UP MILITARY ACTIVITY THROUGHOUT LAOS

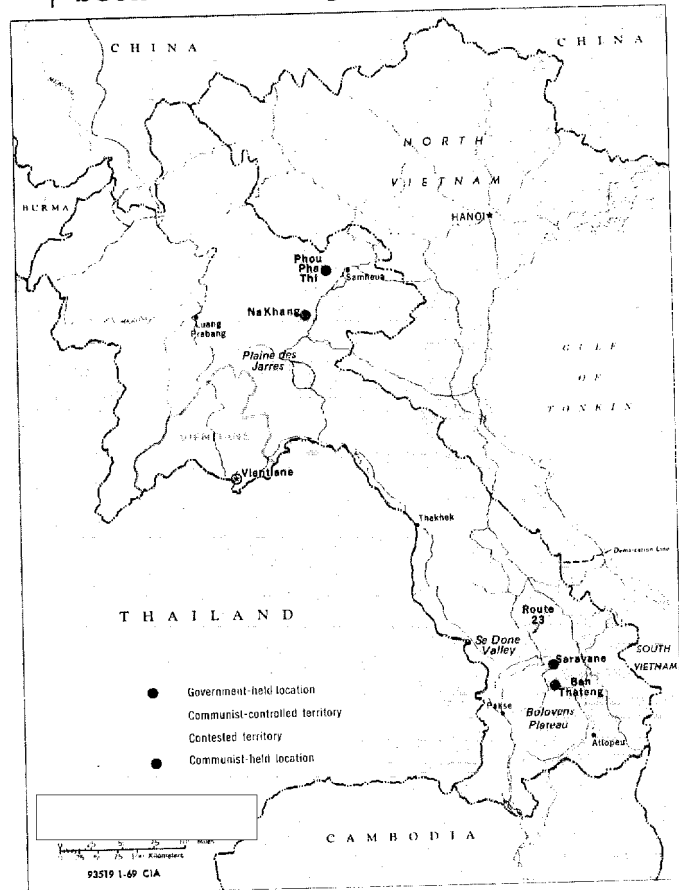
The military situation is heating up again in the south, although there has been no major new fighting.

After a three-week respite, the government base at Ban Thateng has again become the target of North Vietnamese forces positioned along the eastern rim of the Bolovens Plateau. The garrison was hit with a heavy mortar attack and light ground probes on 12 January in what appeared to be the start of a fresh campaign to force the government to surrender that strategically located position. As many as three North Vietnamese battalions are dug in around the base, and the weary 400-man defending force may not hold out even if the enemy does not launch an all-out ground assault.

Evidence continues to mount, meanwhile, that the Thateng operation is part of a wider Communist effort to reduce sharply the government's presence around the Bolovens. Villagers in the Se Done Valley report that the enemy has opened Route 23, which connects with the main supply corridor from North Vietnam, and is moving both troops and supplies into the area. In addition to increasing harassment against the provincial capital of Saravane, the enemy appears to be preparing for a push against government positions along the western edge of the valley. Last year at this time, North Vietnamese and Pathet Lao troops moved into the Se Done area and began offsetting the

gains of a two-year government development and proselyting program.

In the north, enemy raiders destroyed a government ammunition depot some 12 miles northeast of the capital city of Vientiane on 15 January. In recent months, Pathet Lao propagandists have told villagers of plans to step up terrorist activities in Vientiane Province, including attacks against the airport and military garrisons in the capital. The recent attack, which may have been more for psychological reasons



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than military ones, points out the vulnerability to enemy harassment of government facilities near the capital. It presumably will feed apprehensions, similar to those expressed last year, that the Pathet Lao intend to make good on their claims regarding future terrorism in the Vientiane area.

Meanwhile, the enemy is moving to consolidate its hold in

the Phou Pha Thi area in northeast Laos. North Vietnamese reinforcements have overrun several outlying government bases, and it appears to be only a matter of time before most of the government's gains of the past several months will be lost. The situation at Na Khang, where the next major Communist effort in the northeast may come, is quiet at the moment.

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### CAMBODIA FACES NEW ECONOMIC WOES

Impending rice shortages will add to Phnom Penh's already substantial internal problems.

A senior Australian diplomat in Phnom Penh has expressed concern that the recent drought, in combination with earlier cutbacks in planting, will lead to a serious reduction in rice production this year. He estimates the current crop will yield one third less than last year's crop. In addition, he believes there will be a serious shortage of fresh-water fish, the country's secondary staple. He claims that remedial steps taken by the government have been too little and too late.

The Australian diplomat has probably overestimated the potential loss by accepting what appear to be exaggerated figures about planting reduction, but has still spotted what will undoubtedly be a serious shortfall in the current rice crop. Prince Sihanouk has also warned of a sharp reduction in rice production. Cambodia should, however, be able to mitigate the domestic impact of the expected drop in production by

reducing exports and falling back on reserves from last year's record crop.

Nevertheless, Sihanouk's government appears to be in for an economic squeeze it can ill afford in the face of country-wide dissidence. Dissatisfaction with Phnom Penh's economic policies, which has been a major factor in the rural dissidence, could grow to even more serious proportions in the coming months. The situation, however, may bring additional pressure on the government to accelerate programs to improve the lethargic economy. Sihanouk recently decided, for instance, to seek more actively for badly needed foreign investment and to participate in international economic organizations.

Sihanouk apparently has accepted the advice of those in the government who have been urging a reversal of the "go it alone" policy that he adopted five years ago, which has been responsible for some of the current economic dislocation.

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## PUBLIC ABSENCE OF MANY CHINESE LEADERS ADDS TO TENSION

The failure of top Chinese Communist leaders to show up together in public since the party plenum last October has given rise to a spate of rumors in Peking, including reports of Mao's death and picturesque gossip about leadership squabbles. Rumors of Mao's death cannot be dismissed out of hand because of his advanced age (75) and his history of ill health.

As yet, however, little credibility can be given to the

current rumors

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Mao last made a public appearance on 28 November, but he often spends the winter months quietly in a villa in eastern China, and he has been out of public view for even longer periods in past years.

With the news blackout on the majority of key leaders running from six to 14 weeks, rumors circulating in Peking of ferment

### LAST RECORDED PUBLIC APPEARANCES OF THE CHINESE COMMUNIST ELITE LEADERSHIP

Early October	Last collective appearance (National Day Ceremony)
5 October	Chiang Ching (Madame Mao) Chang Chun-chiao (Cultural Revolution official) Yeh Chun (Madame Lin Piao) Wang Tung-hsing (probably Mao's bodyguard)
6 October	Lin Piao (Defense Minister)
28 November	Mao Tse-tung (Met with Australian Communist leader)
29 November	Yao Wen-yuan (Cultural Revolution official)
30 November	Kang Sheng (Cultural Revolution official)
23 December	Wen Yu-cheng (Peking Garrison commander)
30 December	Chou En-lai (Premier) Chen Po-ta (Cultural Revolution Group head) Huang Yung-sheng (Chief of Staff) Wu Fa-hsien (Air Force commander)
2 January	Hsien Fu-chih (Security Minister)

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in the leadership are getting more fanciful. One story is that just before the 12th plenum, a rowdy meeting took place in which about 30 "old cadres" raised objections to the treatment of Liu Shao-chi, to the general course of the Cultural Revolution to the Mao/Lin line, and to the fitness of Lin Piao himself.

Although the details of this story are implausible, it

gives some indication of the kind of rumors to which the Chinese themselves are subjected in the present uncertain atmosphere. Perhaps in no other major country does the top leadership carry on its affairs out of public view for such lengthy periods as it does in China, but it pays a price for this conduct in tension and mounting confusion. [REDACTED]

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### JAPANESE CRITICAL OF US BASE RIGHTS ON OKINAWA

An apparent government effort to condition Japanese public opinion to the need for concessions regarding American bases on Okinawa as the price for an early return of the Ryukyus has drawn a strong critical reaction.

In a Tokyo press conference last week, the Japanese ambassador to the US candidly stated that the US cannot accept a reversion agreement that imposes the same restrictions on Okinawan bases that apply to US bases in Japan--prohibition on nuclear weapons and advance consultations prior to any major force deployments. Ambassador Shimoda urged a compromise that would place the Okinawan bases in a special status and thus preserve their value as part of the American deterrent in the Far East.

This trial balloon evoked harsh criticism from all segments of the political spectrum in Okinawa as well as from the press and all opposition parties in Japan. The government will

face strong challenges on this question in the Diet when it reconvenes late this month.

The Sato government has probably concluded from the furor triggered by the statement that its ability to contain pressures for reversion is diminishing and, consequently, its maneuverability on the question is being restricted.

Developments over the past year, including the election of a leftist chief executive in Okinawa last November and the crash of a B-52 there shortly thereafter, have made any acceptance of a prolonged US administration of the Ryukyus a growing political liability to the Japanese Government. Moreover, nationalistic pressures make it increasingly difficult for Prime Minister Sato to favor any formula for reversion that grants US base rights extending beyond those that apply in Japan proper. [REDACTED]

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## EUROPE

The Soviets loudly publicized their space achievements last week, but still had time to complain about the world around them. A harsh Pravda attack on Chinese political developments clearly was intended as a backdrop for the world Communist meeting in May and the preparatory meetings scheduled for February and March. Moscow's plans to hold a summit meeting this month of the bloc's economic organization, CEMA, seem to have gone awry. A "preliminary" meeting reportedly will take place soon, possibly as early as next week when CEMA marks its 20th anniversary. A summit meeting of Warsaw Pact representatives may still be held this month. Looking to the West, Moscow saw little that it liked in President Johnson's State of the Union address, but kept to its policy of withholding comment on the new US administration.



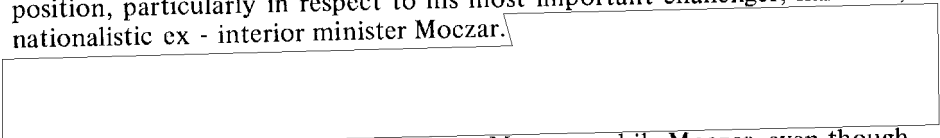
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Middle Eastern tensions were very much in the forefront of European thinking. The US response to the Soviet "peace plan" was delivered in midweek and presumably is under study in Moscow. Paris reiterated its desire to see a meeting of the "big four" held within the framework of the UN to discuss a Middle East settlement, but made no specific proposal to that effect.

In Czechoslovakia, the controversy over press freedom is continuing. There is speculation that Dubcek will soon introduce new regulations muffling publications critical of the Russians and the Czechoslovak conservatives. The mass media have thus far successfully resisted regime efforts to station censors in their editorial offices.

Polish party boss Gomulka apparently is moving to improve his power position, particularly in respect to his most important challenger, hard-line, nationalistic ex - interior minister Moczar.

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Gomulka has tied Poland very closely to Moscow, while Moczar, even though he recognizes the need for the alliance, has espoused a more independent policy.

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## WEST EUROPE UNLIKELY TO FOLLOW SWEDEN'S LEAD ON HANOI

Sweden's recognition of North Vietnam is not likely to move other Western European governments to follow its example.

Stockholm announced the long-predicted move late last week, and Sweden's ambassador to Peking is expected to be accredited to Hanoi. Although South Vietnam subsequently requested accreditation of a Swedish ambassador to Saigon, the Swedish Government has deferred a decision on what it considers a "delicate question," and is likely to drag its feet for some time.

France already has a delegate general in Hanoi with more than consular but less than diplomatic rank, and the United Kingdom has a consul general there. Neither country has indicated, however, that it will change existing arrangements. The Socialist and far-left parties of several Western European countries have expressed approval of Stockholm's move, but have not mounted campaigns to persuade their respective governments to follow suit.

The situation could change if such members of NATO as Denmark or Norway were to recognize Hanoi. Denmark has already announced, however, that it will not follow the Swedish example at this time but will instead await developments in the Paris peace talks. The Norwegian Government announced that it would review the question of recognition, but only within the context of the nation's policy of recognizing only one part of divided states. The Oslo announcement

stated that it would not be expedient to act in such an unclear negotiating situation. [REDACTED]

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Among the European neutrals, Finland announced that it would not recognize Hanoi because such a step would conflict with its traditional policy of nonrecognition of divided states. Austria and Switzerland already maintain relations with South Vietnam and have not announced any plans for changing their relations with the Vietnamese states. As neither country has strong left-wing pressures comparable to those in Sweden, the chances of any shift are slight.

Within Sweden, the fact of recognition has been generally accepted. [REDACTED]

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[REDACTED] the Social Democratic leaders of the government probably chose this time to announce recognition in order to shore up their position with the party's left wing. The leader of the Swedish Communist Party, aware that a favorite far-left issue has been pre-empted by the government, was angered that the move was taken before Parliament could convene to discuss the matter. Some of the leaders of the non-Socialist opposition parties questioned the haste with which the decision was made and regretted that relations with the US were unnecessarily harmed, but they believe that in principle the decision was a correct one. [REDACTED]

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## USSR REPAIRS TIES WITH FRANCE

Moscow took further steps last week to patch up its "special relationship" with France as part of its over-all effort to restore relations with the West to their pre-August footing. Whatever political benefits the two participants may have thought they gained, they announced no major breakthroughs in economic or scientific cooperation after the week-long session in Paris of the Franco-Soviet "Grande Commission."

This was not the first sign of Soviet attentiveness to its ties with France. The Soviet ambassador to Paris called twice on President de Gaulle late in November. Last month, the new French envoy in Moscow was received by President Podgorny with unusual promptness and cordiality less than a week after his arrival. Also in December, a joint working-level commission on Franco-Soviet cooperation did the spadework in Moscow for last week's meetings, and an expanded cultural exchange agreement was signed then.

This session of the "Grande Commission," a body set up after De Gaulle's trip to the USSR in 1966 as a vehicle for ministerial exploration of new areas for Franco-Soviet cooperation, had been postponed after the Soviet invasion of Czechoslovakia. It was rescheduled at Moscow's urging. French Foreign Minister Debre sought to play down its political significance, but a

ranking Foreign Ministry official admitted that, despite Czechoslovakia, France attaches great importance to its ties with Moscow. De Gaulle apparently made no effort to resist Soviet efforts to broaden the discussions to include Europe, Vietnam, and the Middle East.

France agreed to the commission meeting at this juncture partly because it is anxious to have Soviet economic support in view of recent financial difficulties. It also would like, with Moscow's help, to have a role in negotiations on the Middle East. In addition, De Gaulle may want to offset the effect of recent slight improvements in Franco-American relations.

Moscow and Paris agreed to begin negotiations in March on renewing their five-year trade pact that expires at the end of 1969, with a view toward doubling trade between the two countries to \$1.4 billion by 1974. The negotiations also will involve supplying French equipment for truck and cellulose plants, and additional French facilities in the fields of natural gas, metallurgy, food, and other light industries. The USSR has actively sought to increase its truck capacity and has been looking to truck builders in Western Europe and the US for assistance.

French exports to the USSR have grown rapidly over the past

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four years. In 1968, France probably became the USSR's principal Western supplier, with exports of some \$260 million. France's imports from the USSR last year amounted to \$190 million. Despite its rapid growth, however, Franco-Soviet trade represents less than two percent of the total trade of each country.

France appears likely to achieve another trade surplus with the USSR this year. In the

Paris talks, the USSR agreed to buy \$80 million worth of consumer goods above its normal purchases, probably to show support for France during its present economic problems. The Soviets probably will not be willing to incur large trade deficits with France indefinitely, however. Thus, the 1974 trade goal may prove overly ambitious unless France is willing to increase imports of Soviet raw materials, which often are available on better terms elsewhere.

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## FRENCH SUPER MIRAGE AIRCRAFT ENTERS FINAL TESTING

Final flight-testing of pre-production models of the French Super Mirage F-1 is to begin next month. Flight-testing of the newly designed, high-performance F-1 started in December 1966 and the test program to date has reportedly been a successful one. Series production is scheduled to get under way this year, and the first F-1 aircraft probably will be delivered to the French Air Force late this year or early next.

The F-1 is powered by a SNECMA Atar 9K50 turbojet engine--an improved version of the well-proven power plant of the Mirage IV bomber. The new engine gives the F-1 greater speed, range, altitude, and payload capabilities than its Mirage fighter predecessors. The aircraft eventually will employ a Super Atar engine, now under development, which will increase the Mach 2.2 speed and 1,700 nautical mile range of the aircraft still further, and will also enable it to carry more armament.

Construction and operational experience gained from about 800 Mirage fighters operated by the air forces of nine countries has

contributed to the technical base for production of the new F-1. The primary role of the aircraft, which has new and improved electronic equipment, is all-weather interception at high and low altitudes. It is also suitable for ground attack duties, for which it can supplement its two 30-mm. guns by carrying bombs and other armament on seven attachments under the wings and fuselage.

The French Air Force has placed an initial order for 90 F-1s as replacements for Mirage IIIs. Appropriations for the first 30 are included in the 1969 French budget.

The F-1 thus far has found the US F-4E to be its primary competitor for foreign sales. The F-1 recently lost out to the F-4E in the US-dominated Japanese market, even though the F-1 would be less expensive for the Japanese to produce than the \$3.5 million F-4E. Dassault, the manufacturer of the F-1 expects that the plane will have a high export potential in the 1970s, and does not consider Japan a typical testing ground for the salability of the aircraft.

## FRENCH FIGHTER AIRCRAFT INVENTORY

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## ALL-WEATHER FIGHTERS

Mirage III C	68
Vautour II N	45
F-8E (Crusader)	40

## DAY FIGHTERS

Super Mystere IV B2	97
Mystere IV A	137
Etendard IV-M	54

## ATTACK FIGHTERS

Mirage III E	115
Vautour II A	7
F-100 (Super Sabre)	68

## MISCELLANEOUS

Fighter Aircraft	47
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## COMMONWEALTH CONCLUDES RESTRAINED CONFERENCE

The conference of Commonwealth prime ministers, which ended in London this week, went more smoothly than expected and probably succeeded in its intent to promote a better understanding of the views and policies of the 28 member countries.

The problem of Southern Rhodesia was a focal point, as in the last Commonwealth meeting in September 1966, but there was a good deal more reasoned argument and much less vituperation this year. No one had a pat solution for dealing with the Rhodesian claim to independence, and the government heads differed vigorously on the courses they wanted to follow. Most of the Africans, led by Tanzania's Nyerere and Zambia's Kaunda, demanded that Britain withdraw the offers it made on board the HMS Fearless last October and reaffirm its previous pledge of no independence before majority rule.

Although Prime Minister Wilson would not specifically reject his recent proposals, he stood by the "no-independence" pledge unless another settlement proved acceptable to the Rhodesian people. He conceded that a referendum on a settlement might be necessary. According to the formulation in the communiqué, the validity of any settlement would depend on the democratically ascertained wishes of the Rhodesian people.

Uganda's Obote criticized the traditional position that "internal problems" should not be discussed at Commonwealth conferences. He thought that such matters as the Nigerian civil war had important implications for the Commonwealth and

should be considered. Nevertheless, most discussions on Nigeria took place in the corridors. For a brief time, it seemed as though some progress might be made in the general effort to end the war, but the contestants were too unbending for peace talks to get started.

In the end, the African supporters of Biafra were more concerned over issues of internal consequence, such as Asian emigration, and less than willing to confront a fellow Commonwealth member directly.

The question of migration within the Commonwealth proved to be as delicate as that of Rhodesia. In the background of the informal discussions on this issue is the fact that about 200,000 persons of East Indian origin reside in east Africa but hold British passports. The African countries think Britain should accept them, but London insists it cannot allow more than the 1,500 annual quota. This British policy came under heavy fire, but communiqué language was agreed upon to the effect that all Commonwealth governments should try to build a social structure of nondiscrimination and equal opportunity. The Commonwealth's secretary general was asked to consult with members on general principles.

Wilson proposed that a conference be held next year, and suggested that it take place at some other capital on the grounds that rotation would be good for the Commonwealth.

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**MIDDLE EAST - AFRICA**

Last week's high-pitched fears throughout the Arab world that Israel is about to mount some major attack have subsided somewhat with the passage of time but are far from being dispelled. No indications have been discovered that the Israelis are making any large build-up, and border incidents have continued at their usual level.

The Yemen civil war, which has dragged on for six years, has finally broken down to the point where loyalties can no longer be clearly discerned, and fighting can more accurately be described as a hodge-podge of internal dissension.

The Nigerian civil war also continues with no indication of an early break in the military stalemate.

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Moroccan nationalists have seized on the visit of Algerian Premier Boumediene to revive Moroccan border claims. Although raising this issue publicly adds a note of discord to the superficial amity surrounding the visit, the King may welcome the distraction in order to demonstrate to Boumediene the real difficulties Morocco faces in any effort to deal with the sensitive border question.

The campaign for the midterm elections in early February in four important northern states of India is gaining momentum. Prime Minister Gandhi and leading cabinet members are out stumping, and the opposition parties are increasing their tempo. The level of violence is expected to rise as the election nears.

The gradual broadening and deepening of Indo-Iranian relations was given further impetus by the recently completed state visit by the Shah to India. During the visit, the Shah gave the first public indication of a willingness to compromise on Iran's claim to Bahrain. Reaction from other Persian Gulf riparians has been cautiously optimistic.

In Turkey a new wave of student-labor unrest appears to be building up. Leftist and rightist student groups have clashed, and leftist-oriented industrial workers have, for the first time, resorted to arson and sabotage. Strikes may also occur at US military installations in Turkey in late January or early February unless current conciliation efforts involving private contractors are successful.

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## USSR TAKES HARDER LOOK AT ECONOMIC RELATIONS WITH INDIA

The recently signed 1969 Indo-Soviet trade protocol calls for an Indian export surplus that would be used to meet some of New Delhi's debt obligations to the Soviet Union. The agreement also suggests, however, that Moscow is unwilling to meet Indian demands for the kind and quantity of commodities New Delhi wants.

According to the protocol, total Indo-Soviet trade will actually decline to \$325 million this year, compared with about \$350 million in 1968. Although the agreement calls for a sharp 20-percent increase in India's exports to the USSR to a level of \$212 million, Soviet sales to India are expected to drop to about \$113 million--a marked decline from the \$175 million reached last year. A substantial part of the planned increase in Indian shipments to the USSR reflects promises made during Kosygin's visit last year to purchase considerably more Indian manufactured goods, including steel and light engineering products, thus making greater use of India's under-utilized production capacities.

Indian sales, however, may fall far short of the planned goals. For example, Moscow's agreement to buy 54,000 Indian rail cars between 1969 and 1973

is being delayed because India claims the Soviet offer is substantially below what the rail cars actually cost to build. Also, New Delhi is reluctant to increase sales of commodities such as jute and raw skins that can be sold in the West for hard currency.

The Indian trade surplus called for in the protocol amounts to about \$100 million. Although trade protocols for previous years generally have called for balanced trade, India nevertheless has achieved surpluses in almost every year since 1963. These surpluses, however, were not large enough to pay the total annual installments due on India's debt to the USSR from past aid deliveries, and apparently neither is the surplus planned for 1969. As a consequence, India may continue to increase its indebtedness.

The aid program also has come under closer scrutiny following a prolonged recession in India that has caused investment programs to be cut. Imports under the Soviet aid program, largely for machinery and equipment for the public sector, declined from an annual average of over \$100 million during 1963-65 to \$40 million in 1967, rising to only about \$60 million last year.

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Rather than looking for new project aid, the Indians currently want increased imports of Soviet industrial raw materials and fertilizer under existing credit arrangements. The Soviets probably will not agree, and at most may only shift some of their aid to priority fertilizer, petrochemical, and paper industry projects.

Inasmuch as India's revised fourth Five-Year Plan (1969-73) is expected to be less ambitious than the original draft, New Delhi probably will be slow in drawing on the outstanding Soviet project loan of \$330 million extended in 1966 for this plan.

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#### UNITED PAKISTANI OPPOSITION PLANS STRATEGY

A loose coalition of opposition parties, established last week, has received endorsement from several independent opposition leaders to boycott the 1969-70 elections, and is moving ahead with plans to stage antigovernment protests.

Leaders from eight opposition parties, covering the entire range of the political spectrum, announced on 8 January the formation of the Democratic Action Committee (DAC). Their formal statement, couched in general terms to satisfy all participants, set forth a minimum program for "restoration of democracy" in Pakistan. It called for a return to the parliamentary system, the institution of direct universal suffrage, and the restoration of various civil rights.

Simultaneously, the DAC announced a joint decision to boycott the 1969-70 elections if they are held under the present indirect electoral system which favors President Ayub.

The boycott decision has already been endorsed by several independent opposition leaders, including former East Pakistan governor Azam Khan and retired East Pakistani chief justice S. M. Murshed. Asghar Khan, having thus far avoided a public statement on the boycott, has told US officials that although he is not in full agreement with the strategy, he feels morally obligated to support it. Ex-foreign minister Bhutto--still in jail--has maintained silence, but the acting chairman of his People's Party says that Bhutto

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will contest the presidential election despite the DAC's decision. The People's Party joined another left-wing group in attacking the DAC and even suggested collusion between it and the government. Maulana Bhashani, leader of the pro-Peking leftists, praised the DAC and its boycott plans but declined to join the movement. He considers its minimum program incomplete and its intended conventional protest methods insufficient to dislodge the Ayub government. Bhashani pledged his group's cooperation in the election boycott.

The East Pakistan Regional Committee of the DAC has already held several strategy sessions and has directed supporters to observe a day of protest--"Demand Day"--on 17 January with a rally and processions in Dacca. It has called upon the government of East Pakistan to remove restrictions on public assembly so the demonstrations can be

pursued peacefully, thus transferring to the government the responsibility for potential violence. The DAC has also called for a nationwide strike in early February, indicating that it plans to intensify its activities and keep the pressure on the government.

If the DAC successfully carries off these initial projects, its diverse members will have demonstrated some ability to work together. The real test will come, however, when the DAC moves from general agitation to specific political decisions. Despite the announced boycott,

the DAC's agitation is primarily designed to force the government to change the electoral ground rules and permit a fair contest. Should this unlikely event occur, members of the DAC would be faced with the thorny problem of burying their vast ideological differences and agreeing on a single candidate to oppose Ayub.

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## ARAB STATES FEAR AN ISRAELI ATTACK

The Arab states are convinced that Israel may be planning a large-scale attack, and Lebanon suspects that France has reneged on its offer of strong support.

Israel has privately and publicly denied it is preparing for a major attack, and the US military attaché in Tel Aviv confirmed on 15 January that he could find no evidence of an impending attack. Israel has blamed the Soviets for originating the rumor to further their political offensive for an imposed settlement.

The Lebanese, meanwhile, continue to fear that they will be the prime target of any Israeli attack. Their nervousness has been compounded by growing doubts that France's offer of aid was in fact as broad as they initially believed. Convinced that their only chance of escaping Israel's wrath lies in controlling terrorist attacks, the Lebanese continue an all-out effort to crack down on such activity. They even tried to bribe terrorist leaders to evacuate the Mount Hermon area by promising to give financial and material aid to operations conducted out of any other coun-

try; their failure illustrates the growing power of Arab commando organizations.

Meanwhile, the UN remains seized of the problem. Mediator Jarring continues his efforts to find a compromise solution, and the recent Israeli retaliatory raids against Lebanon have caused US diplomats at the UN to suggest that the number of observers attached to the Israeli-Lebanese Mixed Armistice Commission (ILMAC) be increased. At present, observers are stationed on the Lebanese side only because Israel considers ILMAC technically dead. Consultations with the two countries have emphasized that regardless of their conflicting legal positions, the stationing of a substantial number of observers on both sides--a concept Israel has always fought--could help prevent terrorist activity against Israel and protect Lebanon from Israeli retaliatory action. For their part, the Lebanese favor the idea if it can be implemented without their government's formal request and if they can avoid debate on the status of ILMAC.

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## ZAMBIA DISCRIMINATES AGAINST OPPOSITION

Violent intimidation and discrimination against the political opposition in Zambia have increased in the aftermath of last month's parliamentary elections.

Tribalism, always just below the surface in Zambian politics, proved to be a surprisingly strong factor in the elections. The opposition African National Congress (ANC) gained almost every seat in two provinces by a campaign that openly exploited and fanned tribal antagonisms. Although President Kenneth Kaunda's United National Independence Party (UNIP) still won 81 of the 105 total seats, he was visibly shaken and embittered by the resurgence of Zambia's most serious threat to political stability.

During a press conference on 23 December, Kaunda left no doubt that he expects his newly appointed governors to "organize" the two runaway provinces to prevent future ANC victories. He publicly endorsed the slogan, "it pays to belong to UNIP," and specifically announced that opposition members will be fired from the civil service and police. He lumped ANC parliamentarians--and by implication all ANC members--with foreigners, mostly Asians, who are to be denied trading licenses as part of an economic reform program to in-

crease Zambian ownership of businesses.

Local UNIP leaders and the rank-and-file have energetically begun to follow and to expand on Kaunda's orders. Officials in at least two towns have announced that trading licenses will be given only to UNIP members. More significantly, many UNIP members have declared open season on ANC followers. Raids on ANC members and their property have been widespread, although most incidents have involved only minor vandalism. Some UNIP-inspired incidents were directed against loyal UNIP members of the tribes that overwhelmingly voted for the ANC, which indicates how many Zambians of both parties view the anti-ANC campaign as an intertribal conflict rather than as a national movement against disruptive tribalism from any quarter. The violent aspects of the anti-ANC campaign can only reinforce tribally based apprehensions and antagonisms.

Kaunda returns on 17 January from a two-week trip to Britain, and he may move to end the intimidation. The relatively low level of the violence indicates that the short-term threat to law and order can probably be dealt with. A serious setback, however, has already been dealt to Kaunda's effort to stamp out tribally based politics, the motive of his anti-ANC pronouncements.

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### WESTERN HEMISPHERE

Most Latin American governments were preoccupied last week with their own domestic problems.

Colombian President Lleras has been bothered all week with Communist-exploited student and labor demonstrations against recent increases in bus fares and utility rates. Violent protests in the southwestern industrial city of Cali on 8, 9, and 14 January forced the government to send in troops and impose martial law. Labor leaders have called for a general strike on 22 January that President Lleras terms an attempt at revolution.

Guyana is concentrating on mopping up after the abortive, Venezuelan-inspired rebellion in the southwest two weeks ago. Prime Minister Burnham appears to be looking for some way to implicate his archrival, Peter d'Aguiar, but so far has not come up with anything substantial. Venezuela, meanwhile, is trying to take the spotlight off its involvement by publishing articles by the Guyanese rebels claiming they have been badly mistreated for years.

Peru's President Juan Velasco seems convinced that his government must maintain its hard line in the controversy with the US over the expropriation of International Petroleum Company (IPC) holdings. Velasco has reportedly authorized publication of a full-page ad in the New York Times outlining Peru's case, and other US oil companies in Peru have been asked to help pay for the article.

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General Wessin y Wessin's return to the Dominican Republic on 12 January after more than three years in exile has not provoked any strong reaction by either his supporters or opponents. In his first public statement after his return, the rightist leader said that he intends to follow a "legal path" in establishing himself as a serious candidate for the presidential election in 1970.

Anguilla has reaffirmed its independence from the Associated State of St. Kitts, and the premier of St. Kitts is insisting that London block Anguilla's action. The British have termed the move illegal and have agreed to withdraw their representative and shut off further aid, but an early resolution does not seem likely.

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## BRAZILIAN LEADERSHIP SITUATION REMAINS UNCLEAR

There has been little apparent progress in resolving Brazil's leadership quandary, but pressures for action are building up.

[redacted] the government appears to be dividing into two camps--for and against President Costa e Silva. Basically, the dividing line is between those who, like the President, favor moderation and a return to democratic norms, and those who want strong action to clean out "subversion and corruption." Rival military leaders are reportedly maneuvering for position, and the current strategy appears to be "arrest thy enemy's friend."

[redacted]

Key "Generals" are Dutra de Castilho, commander of the central army headquarters, First Army (Rio) commander Syzeno Sarmiento, Army Personnel Chief Muricy, and Moniz de Aragao, chief of the cavalry and Veterinary Service. They apparently have broad respect and support

among junior-grade officers, who back their eagerness to "straighten out" Brazil as well as their strongly nationalistic foreign policy views. While these men do not oppose needed social and economic reforms, if they were officially in power, they would be more likely to strive to maintain order than to initiate meaningful reforms.

Among the steps "The Generals" and other hard liners want are strong new measures against educators, journalists, and members of the judiciary. For example, they advocate retirement or dismissal of judges who have frustrated efforts to prosecute "known Communists and antigovernment agitators." "Communist" journalists are to be muzzled and prevented from continuing their "calumnious attacks." A three-man commission is already at work in the Education Ministry investigating and deciding which educators will be dismissed for "antigovernment revolutionary activity."

The more moderate civilians and officers appear to be fairly closely associated with the President, but--like him--even those in the cabinet seem to be at least partially bypassed when decisions are made. Costa e Silva is continuing his efforts to shore up his position, but if he does not act soon, he may have little choice but to cooperate or be replaced.

Although the Brazilian public has remained apathetic, some

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limited opposition to the government may be developing. For example, Foreign Minister Magalhaes Pinto is reportedly considering resigning in protest--he probably suspects his position is becoming untenable and hopes that such a dramatic move would make him the natural leader of those forces that oppose the trend of the government. Sao Paulo Mayor Faria Lima is another moderate who reportedly has some backing.

This opposition is not likely to get too far, however, in view of the almost total absence of a dialogue between the government and civilian politicians, and the growing military distaste for "the politicians." Costa e Silva has publicly blamed lack of political support for the executive as his reason for assuming dictatorial powers, virtually ac-

cusing members of the progovernment party of insincerity and betrayal. Such conditions do not bode well for a reopening of Congress, officially scheduled for March. Although the President might like to return to democratic forms, neither he nor the military seem anxious to provide a forum for even a "sanitized" opposition.

The Brazilian Government is drifting leaderless, with an unclear chain of command and a growing power vacuum that has set off a debilitating struggle for control. It is possible, however, that this inherently unstable situation could continue for some time--largely because there is no consensus among the military on who should replace Costa e Silva.

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## VENEZUELA'S NEW GOVERNMENT TO LIMIT POLICY INITIATIVES

President-elect Rafael Caldera will be slow to introduce social and economic reforms in Venezuela during his first year in office.

Caldera, the first Christian Democrat elected to the presidency, won only a narrow plurality in elections last December, and his party failed to secure a majority in the Congress. Left-wing Christian Democrats view his victory as a mandate for swift implementation of the party program. Caldera, however, has taken the more

realistic view that an expected decline in government revenues and the strength of the Democratic Action Party's congressional bloc will seriously limit his ability to initiate new policies.

Rather, Caldera will concentrate on broadening public support for his government by pushing noncontroversial social programs, such as housing, sanitation, and education, delaying major legislation that might be controversial. In line with this

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tentative strategy, Caldera has announced that his government will eschew formal political alliances with other parties and instead will negotiate ad hoc arrangements with the opposition depending on what legislation is being considered.

Heavy emphasis will be put on winning the support of independents in Congress. Perhaps as a means of ensuring their cooperation, Caldera has announced that his cabinet will consist largely of noncontroversial independents and technicians. Some Christian Democratic Party leaders predict that all but the three top posts--Foreign Affairs, Interior, and Government--will be held by independents.

A number of problems will confront Caldera after he assumes office, including relations with the Communist countries, a territorial dispute with Guyana, and the formulation of a new petroleum policy. Although Caldera has not committed himself yet to specific policies, Christian Democratic leaders have already indicated that the new government favors establishing diplomatic relations with the Soviet Union and other Eastern European countries as soon as possible.

Caldera's views concerning the emotional issue of Venezuela's claim to over three fifths of Guyana's territory are not clear. Although he has taken a conciliatory tone in public statements on the issue, he will be under pressure from the military and other domestic "hawks" not to temper Venezuela's claims to the area.

Another concern to Caldera is the formulation of a new petroleum policy that will encourage additional foreign investment in Venezuela. Caldera hopes to be able to present a "national solution" to the country before 1973 so that investment plans for continued development of the oil fields can be made well before the present oil concession contracts expire in 1983. The Democratic Action Party, however, has already given notice that it will fight any basic changes in the oil policy it forged during the ten years that it held power.

Caldera may be able to capitalize on an initial reservoir of good will to go forward with a social improvement program. Whether his hoped-for government of "national consensus" will reassure the country and prepare the way for other initiatives is uncertain at this time.

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## MORE LABOR AND STUDENT AGITATION EXPECTED IN COLOMBIA

Government economic measures are causing resentment in Colombia. Martial law was imposed in one city last week, and security forces are preparing for new trouble. A labor front representing all political viewpoints has called for a general strike on 22 January, and President Lleras has reacted by terming the strike call an attempt at revolution.

Lleras' treatment of organized labor's problems as subordinate to other considerations in Colombian economic development has created a growing estrangement between him and top labor leaders. Last May, several major unions, both Communist and democratic, formed a front to oppose plans for an imposed national savings fund, compulsory arbitration, and other measures affecting workers. Lleras' efforts to pacify the union leaders by increased consultations, creation of a national labor council, and the naming of a more popular labor minister were offset by his continued adamance on pushing his program.

Meanwhile, orthodox and extremist Communists have been competing for greater influence in labor and student groups. Increases in bus fares and utility rates effective this month caused such resentment that labor leaders seized on them as a starting point for agitation. Students in Cali were egged on to demonstrations that became so violent last week that martial law was

declared and the government suspended the rate increases there for "restudy." The labor union front in Valle, the province in which Cali is located, has called for a general strike on 22 January that is being promoted by labor leaders of every political stripe, including followers of former dictator Rojas Pinilla. Support for similar strikes is mounting in other cities and the return of students to classes on 20 January offers other possibilities for violent demonstrations. Troops are being alerted for possible moves to maintain order.

The President appeared on television on 13 January to refute charges that his government is unfair to the workers and to warn that it will not tolerate continuing public disorder. Lleras apparently blames the Communists in the united front for the attempts to escalate the labor protests, although the two major confederations--both non-Communist--are in the vanguard of the strike call. Lleras is likely to act strongly if provoked, which in the present situation could cause serious antigovernment reaction. Despite the basic soundness of his determination not to favor special interest groups at the expense of the entire country, Lleras' earlier failure to handle labor complaints with more finesse has helped to create this impasse. The situation is not unlike his showdowns over political issues last year; showdowns which he won, but at the cost of needless political friction.

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## PANAMA'S MILITARY GOVERNMENT ADOPTS REPRESSIVE MEASURES

Panama's military-controlled government is taking additional steps to tighten its grip on the country despite signs of business deterioration caused by earlier arbitrary actions.

The resignation last week of five of the eight civilian cabinet ministers, who had become dissatisfied with the National Guard's restrictions on their authority, is symptomatic of the growing apprehension of many Panamanians over military retrenchment on pledges to work toward rapid restoration of individual rights and constitutional government. The appointment of men of little political stature to fill the cabinet posts is seen as still another move to reinforce subservience to the guard's policies, and possibly to undermine the influence of the country's oligarchy. Publication of a strongly worded denunciation of the government issued by the resigning cabinet officials was banned by the junta, which continues to maintain strict controls over all news media.

Rumors circulating in Panama City of impending new arrests of unspecified "high personages" are adding to uneasiness over the guard's high-handed tactics. Recent arrests of

former government officials without due judicial process, the seizure of one major newspaper and the forcible shutdown of another, and the closure of the university and the capital's largest secondary school have had adverse effects on the business climate and are creating alarm among the wealthy [redacted]

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On the heels of the cabinet break, the government confiscated a shipment of US newspapers, apparently because they contained accounts of new guerrilla clashes near the Costa Rican border. The renewed fighting was presumably instigated by supporters of ousted president Arias [redacted]

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Sentiment against the guard remains high in the western part of the country and the insurgents may be able to continue sporadic attacks against isolated military outposts. The new guerrilla skirmishes will only increase the guard's concern about stability and possibly bring countervailing pressure against opponents of the government, both real or imagined. [redacted]

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